

CONSUMER PERCEPTION STUDY OF THE VALUE PROPOSITION

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Abstract: The service dominant logic theory has 10 premises. One of the important premises to analyze is the value proposition. There are 11 value proposition indicators proposed by Vargo and Lusch (2004), namely newness, performance, customization, getting the job done, design, brand or status, price, cost reduction, risk reduction, accessibility, and convenience or usability. This study was conducted to determine the most dominant indicators have the appropriate value, especially in higher education. The research data was collected by random sampling method and obtained 82 respondents who are students of a university. The questionnaire was given using a Likert scale of 1-4. The data is then processed and presented in the form of tables and figures, then analyzed descriptively to find out which indicators get the best response. The results showed that the feedback and risk reduction indicators got the best response. And performance and design indicators get the lowest response. Thus, it can be concluded that feedback and risk reduction are very important factors seen by consumers on the value proposition, especially in the higher education service industry.

Keywords: value proposition, education, marketing

1. Introduction

Vocational colleges are a type of college other than academic colleges. In Indonesia, the form of universities that provide vocational education is in particular in the form of polytechnics and academies. They hold diploma education level 1 year to 4 years. However, in recent developments, academic universities have also begun to organize vocational education by establishing vocational faculties/departments.

Basically the services provided by vocational and academic colleges are not much different. Only the emphasis on learning methods is not the same where the interaction between lecturers and students at vocational colleges is higher due to a lot of joint practice activities compared to theory.

Students as consumers of higher education services certainly consider what is offered before choosing a college. For this reason, it is necessary to evaluate the perception of students as consumers on whether the value offered by the university is in accordance with what was felt while studying there.

Companies can achieve greater flexibility in designing their market offerings, and thus manage different customer segments using different value propositions. Kowalkowski (2011) reveals

that the ability to strategically and effectively communicate a firm's value proposition is a new area for competency development at the core of competitive advantage.

Hasan (2012) revealed that companies are responsible for setting the value they want to provide based on their strategy and shareholder value. They are responsible for communicating it and managing the changes taking place in the market. Marketing provides marketing strategies and tactics that align with the overall strategy of the organization, to help deliver the best value to customers.

Service innovation has to be carried out and the value proposition has to be evaluated from the perspective of customer value creation, customer experienced service. Successful service innovation depends not only on the right resources, well-established methods and practices to integrate these resources into an attractive value proposition are also required (Skalen and etc, 2015).

Based on this, it is considered important to conduct research on the value proposition of higher education. By knowing the value proposition needed by consumers, universities will be able to provide appropriate services, provide the best service experience, and create value for consumers.

2. Literature Review

Service Dominant Logic

The concept of S-D marketing logic was expressed by Vargo and Lusch in 2004 through their article in the *Journal of Marketing*. The article is essentially an integrative literature review. The authors do not propose a new theory, but rather they describe a trend in marketing thinking that is influential and well-accepted in certain circles, but has not yet achieved total acceptance. These ideas are then integrated into a coherent framework, summarized in ten fundamental points:

- a. Service is the most basic of exchange.
- b. Indirect exchanges cover the most basic of exchanges.
- c. Goods are a distribution mechanism for the provision of services.
- d. Operant resources are a fundamental source of competitive advantage.
- e. All economies are service economies.
- f. Customers are always value creators.
- g. Companies cannot provide value, but only offer a value proposition.
- h. The service-centered view is essentially customer-oriented and relational.
- i. All social and economic actors are resource integrators.
- j. Value is always determined uniquely and phenomenologically by the recipient.

Lusch and Vargo (2015, 408) suggest that S-D logic does not only involve consumers in the co-creation of value process, but also company partners through the value creation network. This is mainly because S-D logic views knowledge as a fundamental source of competitive advantage and recognizes that knowledge is not centralized but dispersed throughout the marketing system and society.

As a result, S-D logic recognizes all entities must collaborate with other entities and integrate resources with them. Based on this, the researchers included entities that play a role in this S-D logic, including firm value propositions and customer value creation to obtain value/equity from the object under study.

Value Proposition

Kotler and Armstrong (2018, 17) state that marketing begins with understanding consumer needs and wants, determining which target market the organization can best serve, and

developing an attractive value proposition through which the organization can attract and grow valuable customers. Then, more than just making sales, today's marketers want to engage customers and build deep customer relationships that make their brands a meaningful part of consumers' conversations and lives.

Furthermore, Kotler and Armstrong (2018, 35) state that the value proposition of a brand is a set of benefits or values that are promised to be provided to consumers to meet their needs. Based on this, it can be understood that the value proposition in its current development has involved consumers and even this involvement is continuously maintained to establish good relationships with consumers in the long term.

The value proposition refers to the value a company promises to deliver to customers if they choose to purchase their product. The value proposition is part of the company's overall marketing strategy. A value proposition provides a declaration of intent or a statement that introduces a company's brand to consumers by telling them what the company stands for, how it operates, and why it's viable for their business.

A value proposition can be presented as a business or marketing statement that a company uses to summarize why a consumer should buy a product or use a service. This statement, if stated convincing, convinces potential consumers that one particular product or service that the company offers will add value or solve a problem better for them than other similar offerings. Osterwalder and Pigneur (2014:22) state that the value proposition is the unity of the benefits that the company offers to consumers. This leads to problem solving and customer satisfaction of a product or service offered by the company. The value proposition can be innovative from a new offering or can change an existing offer. Other value propositions may be the same as existing market offerings, but with additional features and attributes.

Osterwalder and Pigneur (2014, 22) state that in order to understand the value proposition, one must first know about the stages of the value life cycle. The stages of the value life cycle are:

- a. Value creation: The traditional view holds that the value creation process does not allow consumers to take part in experiencing value. Marketing and research and development is responsible for adding value at this stage based on historical data and observations of potential customers.
- b. Value appropriation: Value can be created in this stage by developing, enhancing, and facilitating the consumer buying experience. This can be done in two steps, firstly by improving how transactions are carried out and secondly by making consumers feel satisfied.
- c. Value consumption: This is the core value proposition, at this stage consumers see and feel value through the actual use of the product or service. At this stage value can be created through the bundle of benefits associated with the product or service. This can be improved by observing and generating feedback.
- d. Value renewal: This stage is when the value expires or is completed, for example there is a replacement or repair for a product that has been purchased if there is damage. Value can be created at this stage by adding more benefits and features to the product or service in the renewal process.
- e. Value transfer: The final stage of the value life cycle is the stage when consumers can no longer acquire value. However, value can be created in new channels, benefiting by transferring value.

Buttle (2009: 191) states that the value proposition is an explicit or implicit promise made by a company to consumers which will provide a certain set of objects that are tied into one of the benefits of value creation. The explicit promise meant is a promise that is stated explicitly, while the implicit promise is a promise that is stated implicitly. Consumers can receive value

from the promises made by the company and must be in accordance with the wishes and can satisfy consumers.

Value proposition can be said as a value that can be said as a value that exceeds the positioning to be given to a consumer segment which can be in the form of a unique or certain value according to the promise given by the company and the goal is to be able to meet and satisfy consumer needs.

If the company can meet the needs and satisfy consumers of the products or services created by the company, then these consumers will be loyal to the product. Value proposition is also important for companies to compete with competing companies to bring up a competitive strategy from the value proposition created by the company.

Value proposition elements according to Osterwalder and Pigneur Osterwalder (2014: 23) state that the value proposition creates value for the consumer segment through the guidance of different elements that can serve the needs of that segment. The value created can be both quantitative and qualitative. It can be quantitative such as price and speed of service, or qualitative such as consumer experience.

The elements that can contribute to the creation of consumer value, namely novelty, performance, customization, getting the job done, design, brand/status, price, cost reduction, risk reduction, accessibility, and convenience and usability.

Some of the value propositions that can be offered to consumers include:

- a. **Newness.** The novelty value proposition is a value proposition that has never been offered by any company before.
- b. **Performance.** Generally, to create value, companies must improve the performance of their products and services.
- c. **customization.** Customization is a product or service that is tailored to the individual needs of the customer.
- d. **Getting the job done.** Value can be created simply by helping customers do certain jobs.
- e. **design.** A product and service can excel in the market because of its design.
- f. **Brand/Status.** Companies can provide value to customers by providing status.
- g. **Price.** In the price-sensitive market segment, a low price for a product/service will give its own value.
- h. **Cost Reduction.** Companies can provide value to customers in the form of cost reductions from activities carried out by customers.
- i. **Risk Reduction.** Companies can provide value to their customers by reducing the risks faced by customers. The general practice of manufacturers is to provide a warranty in the form of repairs for damage.
- j. **Accessibility.** Another way to provide value to customers is to provide access to customers who were previously unable to get services/products.
- k. **Convenience/usability.** Companies can create value for their customers by making their activities more comfortable.

Payne and Frow (2014) reveal that the lack of specifically focused formal activities that involve developing a superior value proposition is likely to hinder the market success of many firms. Many companies have some form of value proposition, either implicit or explicit.

Frow, et al (2014) suggest that value propositions play an important role in supporting the network of relationships in service ecosystems, signaling resource-sharing relationships that tend to promote ecosystem well-being and offering early warning signals of potential threats to its survival.

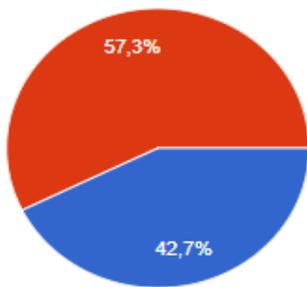
3. Method

This research was conducted by interpreting the data collected through a questionnaire. The questionnaire was prepared using a Likert scale of 1-4 and distributed to 82 (35.19%) samples that were determined randomly from a population of 233 active students at the Polytechnic NSC Surabaya, which is one of the private universities in Surabaya.

The data from the questionnaire were then tested for item validity and reliability. Then the data was tabulated and analyzed descriptively to obtain research answers about the factors that most suitably reflect the value proposition based on student perceptions.

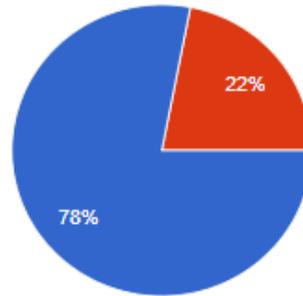
4. Result and Discussion

The data of respondents were 82 people consisting of 57.3% women and 42.7% men. As many as 78% of respondents carry out lectures while working and 22% only study. A total of 47.6% of respondents came from the city of Surabaya and 52.4% came from other cities.



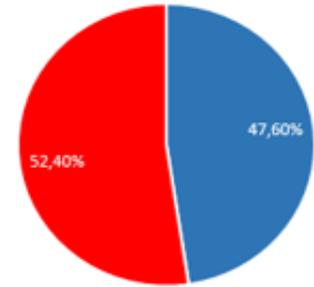
● Men
● Woman

Figure 1: Respondents Gender
Sources: Data proceed



● Study while working
● Study only

Figure 2: Study and Working
Sources: Data proceed



● From Surabaya
● From other city

Figure 3: Origin city
Sources: Data proceed

To obtain data on student perceptions of the university's value proposition, a questionnaire consisting of 11 elements was compiled. Each element consists of 2 question items which are expected to represent the elements. So the total question items are 22 items. The details of the question items are presented in table 1.

Table 1 Item of Questionnaire

No	Element	Item
1	Newness	A new product created that has never existed before and has a uniqueness.
		a. X1 I feel the service provided is unprecedented
		b. X2 The services provided are unique
2	Performance	How to improve the performance of a product or service offered.
		a. X3 I feel the service provided is better than before
		b. X4 The service of the staff and lecturers exceeded my expectations
3	Customization	How the company can adjust the product or service according to the needs of its customers in order to get more value.
		a. X5 The campus understands the needs of its students
		b. X6 Campus provides policies according to student needs
4	Getting the job done	How the product or service functions helps the customer to get the job done.
		a. X7 Lecturers provide guidance in facilitating the completion of studies
		b. X8 The knowledge taught is very useful for work

No	Element	Item
5	Design	By having an attractive design, a product will have a good value proposition.
		a. X9 Campus design is perfect for studying The condition of the classrooms and other learning equipment is very
		b. X10 supportive
6	Brand/Status	Customers can find the value of a product from a brand that has been known by the wider community.
		a. X11 Studying on this campus will gain skills for work
		b. X12 Campus provides services to find a job
7	Price	How prices can be determined by competitors and become the basis for determining the price of the products offered.
		a. X13 Affordable tuition fees
		b. X14 Tuition fees are not more expensive than other colleges
8	Cost reduction	How a value derived from the costs incurred by customers in buying a product or service can be reduced.
		a. X15 The campus provides waivers in paying tuition fees
		b. X16 Flexible tuition fee payment
9	Risk reduction	The risk posed by the products offered to customers is very small. In other words, the products offered have a warranty in case of damage
		a. X17 I'm sure after graduating college it will be easy to get a job
		b. X18 The campus collaborates with many companies that need employees
10	Access ability	The products offered can be easily used or accessible to everyone.
		a. X19 Everyone can follow and finish college here
		b. X20 Strategic location of campus and easy to reach
11	Convenience/ Usability	How can a product fulfill a want or need for its customers and the customer feels comfortable with the presence of the product?
		a. X21 I feel comfortable studying on this campus
		b. X22 Studying here is very useful for me

Source: Data proceed

Testing the validity of items using SPSS. The test results show that the 5% significance of each item is $0.00 < 0.05$. This means that all items are declared valid and can be used. The results of reliability testing using SPSS show that the value of Cronbach's alpha obtained is $0.971 > 0.6$. This means that all items are declared reliable. The tabulation of the results of the questionnaire is presented in table 2 below.

Table 2 Result of Questionare

Item	Sum	Mean	Element
X1	235	2,87	Newness
X2	242	2,95	
X3	242	2,95	Performance
X4	234	2,85	
X5	238	2,90	Customization
X6	248	3,02	
X7	255	3,11	Getting the job done
X8	261	3,18	
X9	235	2,87	Design
X10	234	2,85	
X11	259	3,16	Brand/Status
X12	260	3,17	

Item	Sum	Mean	Element
X13	251	3,06	Price
X14	248	3,02	
X15	263	3,21	Cost reduction
X16	263	3,21	
X17	266	3,24	Risk reduction
X18	262	3,20	
X19	261	3,18	Access ability
X20	262	3,20	
X21	253	3,09	Convenience/Usability
X22	262	3,20	

Source: Data proceed

The results of the questionnaire show that the element that has the highest suitability value is risk reduction followed by cost reduction. While the elements that have the lowest value are performance and design. These four elements will be discussed further.

Design

Design in the service industry, including education, is somewhat different from the design of goods. The design of educational institution services can be represented by the shape of the campus building which is attractive and supports the convenience of learning. Similarly, the condition of the classrooms and other learning facilities provided. An attractive and different design from that offered by other universities will give a positive impression to students.

The student's perception of the suitability of the design with the expected one has the lowest score. This means that the design element is a factor that does not get a good appreciation and needs to be improved by the university. By having an attractive design, a product will have a good value proposition.

Performance

The performance of a product or service offered can be judged by consumers based on their expectations. Service performance can also be a comparison between the current perceived service and the previous service. In the education service industry, especially universities, human resources who have an important role in providing services are lecturers and staff.

Lecturers are the main service providers in the learning process or academic guidance in universities. Staff are human resources who provide administrative services to students. Good cooperation between lecturers and staff is a determinant of service performance to students.

The results of the questionnaire show that the performance value gets the second lowest value after the design value. This shows that the quality of service from lecturers and staff still needs to be improved. This is very important especially for the service industry which is very dependent on the quality of human resources in providing services to consumers. If performance can be improved, it will provide a good value proposition.

Cost Reduction

In buying a product or service, consumers will compare the costs incurred with the value received. Consumers will be willing to incur a certain amount of costs if the perceived value of consuming a product or service is as expected. In general, consumers will feel more happy and enthusiastic if there is an opportunity to reduce the costs incurred without reducing the value obtained.

The costs incurred in college are usually in the form of tuition fees. However, the price elasticity of the education service industry, especially universities, is very low. So that the lightness and flexibility of paying tuition fees is a pleasant thing for students.

The value of students' perceptions of cost reduction got the second highest score. This means that students as consumers feel the lightness and flexibility of payments. So consumers get the value of benefits for services first even though they have not made a full payment. This high cost reduction value can represent a good value proposition.

Risk Reduction

In making decisions to purchase goods or services, consumers also consider the warranty offered by the manufacturer. The greater the warranty offered by the manufacturer, the consumer will feel the risk reduction.

In the education service industry, especially universities, where most consumers have the hope that after completing their education, they will get a better job than not having a higher education. The guarantee provided by the university in the form of a guarantee of getting a good job will provide a feeling of security for consumers. This feeling of security arises because of the reduced perceived risk.

The results of the questionnaire show that the value of risk reduction gets the highest value compared to the values of the other elements. This shows that students feel confident that after graduating from college it will be easy to get a job. In addition, universities also have cooperation with many companies so that access to jobs is more secure.

5. Conclusions

Based on student perceptions, the 11 elements of the value proposition studied were obtained which consisted of namely newness, performance, customization, getting the job done, design, brand or status, price, cost reduction, risk reduction, accessibility, and convenience or usability. Elements of risk reduction and cost reduction got the highest score. Meanwhile, those who get the lowest score are elements of design and performance.

This means that risk reduction and cost reduction provide the highest contribution in reflecting a good value proposition. And design and performance give the lowest contribution to the value proposition.

The practical implication of the results of this research for universities is that the increase in the value proposition can be done by maintaining the elements that have made the biggest contribution. And improve the elements that still lack contribution so that the value proposition is better perceived by consumers.

The theoretical implication of the results of this study is that the value proposition is a very important value to be studied. The value proposition as one of the premises of the service dominant logic certainly has a close relationship with other premises, especially customer value co-creation.

This study has the limitation of only examining one of the 10 premises of service dominant logic. The research location is limited to only one higher education institution.

Acknowledgements

It is recommended that further research be conducted on the other premises of the service dominant logic and examine the relationship between each premise. It is also recommended that further research be carried out in a wider area and in different industries.

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